

SEC



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MISSION

## OMB APPROVAL

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**ANNUAL AUDITED REPORT  
 FORM X-17A-5  
 PART III**

SEC FILE NUMBER

8- 65370

## FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
 Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2008 AND ENDING December 31, 2008  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Stacey Braun Financial Services, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

377 Broadway Avenue

8th floor

(No. and Street)

New York

New York

10013

(City)(State)(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Gerry McGahran

(212) 226-7707

(Area Code — Telephone No.)**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Breard &amp; Associates, Inc., Certified Public Accountants

(Name — if individual, state last, first, middle name)

9221 Corbin Avenue, Suite 170

Northridge

California

91324

(Address)(City)(State)(Zip Code)**CHECK ONE:**

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

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AB  
3/17

## OATH OR AFFIRMATION

I, Gerry McGahran, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Stacey Braun Financial Services, Inc., as of December 31, 2008 are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

State of N.Y.  
County of N.Y.

Subscribed and sworn to (or affirmed) to before me this 27  
day of Jan, 2009 by \_\_\_\_\_ proved  
to me on the basis of satisfactory evidence to be the person(s)  
who appeared before me.

[Signature]  
Signature  
FINANCIAL OPERATIONS OFFICER  
Title

Notary Public

Janet Luciano  
Notary Public, State of New York  
No. 01LU6128776  
Qualified in Bronx County  
Commission Expires 06/13/2009

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in ~~Financial Condition~~ Cash Flows
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**BREARD & ASSOCIATES, INC.**  
Certified Public Accountants

Independent Auditor's Report


Board of Directors  
Stacey Braun Financial Services, Inc.:

We have audited the accompanying statement of financial condition of Stacey Braun Financial Services, Inc. (the Company) as of December 31, 2008, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended that are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stacey Braun Financial Services, Inc. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I, II, and III is presented for purposes of additional analysis and is not required as part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Breard & Associates, Inc.  
Certified Public Accountants

Northridge, California  
February 25, 2009

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**Stacey Braun Financial Services, Inc.**  
**Statement of Financial Condition**  
**December 31, 2008**

**Assets**

|                        |                          |
|------------------------|--------------------------|
| Cash                   | \$ 132,582               |
| Commissions receivable | 19,044                   |
| Prepaid expenses       | <u>1,925</u>             |
| <b>Total assets</b>    | <b><u>\$ 153,551</u></b> |

**Liabilities and Stockholder's Equity**

**Liabilities**

|                                       |                  |
|---------------------------------------|------------------|
| Accounts payable and accrued expenses | <u>\$ 45,924</u> |
|---------------------------------------|------------------|

|                          |        |
|--------------------------|--------|
| <b>Total liabilities</b> | 45,924 |
|--------------------------|--------|

**Stockholder's equity**

|   |               |
|---|---------------|
| Common stock, no par value, 200 shares authorized;<br>10 shares issued and outstanding. | 100           |
| Additional paid-in capital  | 64,531        |
| Retained earnings   | <u>42,996</u> |

|                                   |                |
|-----------------------------------|----------------|
| <b>Total stockholder's equity</b> | <u>107,627</u> |
|-----------------------------------|----------------|

|   |                          |
|---|--------------------------|
| <b>Total liabilities and stockholder's equity</b> | <b><u>\$ 153,551</u></b> |
|---|--------------------------|

*The accompanying notes are an integral part of these financial statements.*

**Stacey Braun Financial Services, Inc.**  
**Statement of Income**  
**For the Year Ended December 31, 2008**

**Revenues**

|                       |                |
|-----------------------|----------------|
| Commission income     | \$ 25,241      |
| Management fee income | 211,084        |
| Other income          | <u>740</u>     |
| <b>Total revenues</b> | <b>237,065</b> |

**Expenses**

|  |                                |
|--|--------------------------------|
| Commissions  | 189,045                        |
| Management fees                                      | 7,000                          |
| Professional fees                                    | 6,936                          |
| Other operating expenses                             | <u>8,201</u>                   |
| <b>Total expenses</b>                                | <b><u>211,182</u></b>          |
| <b>Net income (loss) before income tax provision</b> | <b>25,883</b>                  |
| <b>Income tax provision</b>                          | <b><u>2,290</u></b>            |
| <b>Net income (loss)</b>                             | <b><u><u>\$ 23,593</u></u></b> |

*The accompanying notes are an integral part of these financial statements.*

**Stacey Braun Financial Services, Inc.**  
**Statement of Changes in Stockholder's Equity**  
**For the Year Ended December 31, 2008**

|                              | <u>Common<br/>Stock</u> | <u>Additional<br/>Paid - in<br/>Capital</u> | <u>Retained<br/>Earnings</u> | <u>Total</u>      |
|------------------------------|-------------------------|---|------------------------------|-------------------|
| Balance at December 31, 2007 | \$ 100                  | \$ 64,531                                   | \$ 19,403                    | \$ 84,034         |
| Net income (loss)            | <u>—</u>                | <u>—</u>                                    | <u>23,593</u>                | <u>23,593</u>     |
| Balance at December 31, 2008 | <u>\$ 100</u>           | <u>\$ 64,531</u>                            | <u>\$ 42,996</u>             | <u>\$ 107,627</u> |

*The accompanying notes are an integral part of these financial statements.*

**Stacey Braun Financial Services, Inc.**  
**Statement of Changes in Cash Flow**  
**For the Year Ended December 31, 2008**

**Cash flows from operating activities:**

|  |                 |                |
|--|-----------------|----------------|
| Net income (loss)  |                 | \$ 23,593      |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                 |                |
| (Increase) decrease in:  |                 |                |
| Commissions receivable   | \$ 12,228       |                |
| (Decrease) increase in:  |                 |                |
| Accounts payable and accrued expenses  | <u>(15,018)</u> |                |
| Total adjustments  |                 | <u>(2,790)</u> |
| <b>Net cash provided by (used in) operating activities</b>   |                 | <b>20,803</b>  |

**Cash flows from investing activities:** —

**Cash flows from financing activities:** —

**Net increase (decrease) in cash** **20,803**

**Cash at beginning of year** 111,779

**Cash at end of year** \$ 132,582

**Supplemental disclosure of cash flow information:**

|                                |    |   |
|--------------------------------|----|---|
| Cash paid during the year for: |    |   |
| Income taxes                   | \$ | — |
| Interest                       | \$ | — |

*The accompanying notes are an integral part of these financial statements.*

**Stacey Braun Financial Services, Inc.**  
**Notes to Financial Statements**  
**December 31, 2008**

**Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

Stacey Braun Financial Services, Inc. (the "Company") was incorporated in the State of New York on September 24, 2001. The Company is a registered broker/dealer in securities under the Securities and Exchange Act of 1934, and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

The Company is engaged in business as a securities broker/dealer, which comprises several classes of services, including retailing mutual funds on a subscription basis, and selling life insurance and annuities.

The Company is a wholly-owned subsidiary of Stacey Braun Associates, Inc. (the "Parent").

The Company does not hold customer funds or securities and conducts business on a fully disclosed basis, whereby all transactions are cleared by another broker/dealer and, accordingly, is exempt from Rule 15c-3 of the Securities and Exchange Commission under paragraph (k)(1).

In the normal course of business, the Company's customer activities involve the execution and settlement of various customer securities and financial instruments transactions. These activities may expose the Company to off-balance sheet credit risk in the event the customer is unable to fulfill its contractual obligations.

*Summary of Significant Accounting Policies*

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivable from brokers, dealers and clearing organizations represent commissions earned on security transactions, which are recorded on a trade date basis. Commissions receivable are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Commission income and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

The Company has elected to be an S Corporation and, accordingly, has its income taxed under Sections 1361-1379 of the Internal Revenue Code. Subchapter S of the Code provides that the Stockholders, rather than the Company, are subject to tax on the Company's taxable income. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements. However, the Company is subject to the New York City Unincorporated Business Tax.

**Stacey Braun Financial Services, Inc.**  
**Notes to Financial Statements**  
**December 31, 2008**

**Note 2: INCOME TAXES**

As discussed in the Summary of Significant Accounting Policies (Note 1), the Company has elected the S Corporate tax status, therefore no federal income tax provision is provided. However, the Company incurred \$2,290 in the New York Unincorporated Business Tax.

**Note 3: RELATED PARTY TRANSACTIONS**

The Company receives 100% of its revenue through the Parent's referral.

The Company pays its parent company for office space, administrative personnel, telephone, office supplies and other shared administrative expense under a formal expense sharing agreement. The current fee under this arrangement is \$600 per month. During the year ended December 31, 2008, the Company paid \$7,000 in management fees. As of December 31, 2008 there were no outstanding balances due to or from the Parent.

**Note 4: FIDUCIARY CASH ACCOUNT**

Funds collected on behalf of one of its clients are held in a separate bank account for fiduciary purposes. Funds deposited to the account include fees earned on the sale of investment products to the individual participants who are members of the client organization. Under terms of a services agreement with the client, fees earned are passed back to the client. Such fees are accrued as a liability on a monthly basis, and settled on a quarterly basis. At December 31, 2008, the Company reflected a liability of \$39,014 under this arrangement.

**Note 5: CONCENTRATION OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities in which counter-parties primarily include broker/dealers, bank, and other financial institutions. In the event counter-parties do not fulfill their obligation, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counter-party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter-party.

**Stacey Braun Financial Services, Inc.**  
**Notes to Financial Statements**  
**December 31, 2008**

**Note 6: RECENTLY ISSUED ACCOUNTING STANDARDS**

For the year ending December 31, 2008, various accounting pronouncements or interpretations by the Financial Accounting Standards Board were either newly issued or had effective implementation dates that would require their provisions to be reflected in the financial statements for the year then ended. The Company has reviewed the following Financial Interpretation ("FIN") and Statements of Financial Accounting Standards ("SFAS") for the year to determine relevance to the Company's operations:

| <u>Statement Number</u> | <u>Title</u>   | <u>Effective Date</u> |
|-------------------------|--|-----------------------|
| FIN 48                  | Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109                 | After 12/15/07        |
| SFAS 141(R)             | Business Combinations  | After 12/15/08        |
| SFAS 157                | Fair Value Measurements  | After 12/15/07        |
| SFAS 160                | Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51               | After 12/15/07        |
| SFAS 161                | Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133 | After 12/15/08        |

The Company has either evaluated or is currently evaluating the implications, if any, of each of these pronouncements and the possible impact they may have on the Company's financial statements. In most cases, management has determined that the pronouncement has either limited or no application to the Company and, in all cases, implementation would not have a material impact on the financial statements taken as a whole.

**Note 7: NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but by December 31, 2008, the Company had net capital of \$94,962 which was \$89,962 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$45,924) to net capital was 0.48 to 1, which is less than the 15 to 1 maximum ratio required of a broker/dealer.

**Stacey Braun Financial Services, Inc.**  
**Notes to Financial Statements**  
**December 31, 2008**

**Note 8: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS**

There is a \$12,350 difference between the computation of net capital under net capital SEC. Rule 15c3-1 and the corresponding unaudited FOCUS part IIA.

|                                    |                 |                  |
|------------------------------------|-----------------|------------------|
| Net capital per unaudited schedule |                 | \$ 107,312       |
| Adjustments:                       |                 |                  |
| Retained earnings                  | \$ (1,610)      |                  |
| Non-allowable accounts receivable  | <u>(10,740)</u> |                  |
| Total adjustments                  |                 | <u>(12,350)</u>  |
| Net capital per audited statements |                 | <u>\$ 94,962</u> |

**Stacey Braun Financial Services, Inc.**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**As of December 31, 2008**

**Computation of net capital:**

**Stockholder's equity**

|                            |    |               |            |
|----------------------------|----|---------------|------------|
| Common stock               | \$ | 100           |            |
| Additional paid-in capital |    | 64,531        |            |
| Retained earnings          |    | <u>42,996</u> |            |
| Total stockholder's equity |    |               | \$ 107,627 |

**Less: Non allowable assets**

|                            |                |                 |
|----------------------------|----------------|-----------------|
| Commission receivable      | (10,740)       |                 |
| Prepaid expenses           | <u>(1,925)</u> |                 |
| Total non-allowable assets |                | <u>(12,665)</u> |

**Net capital** 94,962

**Computation of net capital requirements:**

|   |    |              |
|---|----|--------------|
| Minimum net capital requirements        |    |              |
| 6 2/3 percent of aggregate indebtedness | \$ | 3,062        |
| Minimum dollar net capital required     | \$ | 5,000        |
| Net capital required, greater of above  |    | <u>5,000</u> |

**Excess net capital** \$ 89,962

Ratio of aggregate indebtedness to net capital 0.48: 1

There was a \$12,350 difference in net capital computed above and that which was reported by the Company in Part II of Form X-17A-5 report dated December 31, 2008. See Note 8.

*See independent auditor's report.*

**Stacey Braun Financial Services, Inc.**  
**Schedule II - Computation for Determination of Reserve Requirements**  
**Pursuant to Rule 15c3-3**  
**As of December 31, 2008**

A computation of reserve requirements is not applicable to Stacey Braun Financial Services, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(1).

*See independent auditor's report.*

**Stacey Braun Financial Services, Inc.**  
**Schedule III - Information Relating to Possession or Control Requirements**  
**Under Rule 15c3-3**  
**As of December 31, 2008**

Information relating to possession or control requirements is not applicable to Stacey Braun Financial Services, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(1).

*See independent auditor's report.*

**Stacey Braun Financial Services, Inc.**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**For the Year Ended December 31, 2008**

**BREARD & ASSOCIATES, INC.**  
Certified Public Accountants

Board of Directors  
Stacey Braun Financial Services, Inc.:

In planning and performing our audit of the financial statements of Stacey Braun Financial Services, Inc. (the Company), as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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***We Focus & Care<sup>SM</sup>***

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Breard & Associates, Inc.  
Certified Public Accountants

Northridge, California  
February 25, 2009

**Stacey Braun Financial Services, Inc.**

**Report Pursuant to Rule 17a-5 (d)**

**Financial Statements**

**December 31, 2008**